

Oil Market Review in Japan No. 25/2020

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the December 10–December 16 week moved within a range of \$46.57 per barrel and \$47.82/bbl.

On December 17, the January contract rose further for the fourth straight trading day, supported by decrease in the U.S. domestic crude oil inventory announced on the previous day and expectations for convergence of corona scourge with the start of vaccination of new corona. Another factor pushing up crude oil price was ongoing depreciation of the U.S. dollar, caused by hinting at long-term continuation of FRB (Federal Reserve Board)'s quantitative easing. The January contract closed at \$48.36/bbl up \$0.54/bbl from the previous day, marking the highest level as the end price of the key front month contract for the first time in 10 months since February 26, 2020.

On December 18, the key contract rose further for the fifth straight trading day by deepening expectations for early convergence of corona scourge. The Advisory Committee of the U.S. Food and Drug Administration (FDA) issued an emergency use authorization for the Moderna Coronavirus Vaccine. Baker Hughes reported that the number of operating U.S. oil-drilling rigs increased by five units from a week earlier to 263 units, increasing for the fourth straight week. The January contract finished \$0.74/bbl higher at \$49.10/bbl.

On December 21, the key contract turned down for the first time in six trading days due to concerns over new outbreak of mutant coronavirus strain mainly in the UK. The market saw re-purchase of position adjustment and buying caused additional economic measures with the total amount of 900 billion US dollar by the U.S. Congress. However, these had a limited effect. The January contract lost \$1.36/bbl to \$47.74/bbl.

On December 22, the key contract turned down due to deepening concerns over mutant coronavirus strain which was confirmed in the UK. London was locked down. Many countries temporary suspended their air links with the UK one after another. The February contract, which replaced the January contract as the key front-month contract, lost \$0.95/bbl to \$47.02/bbl.

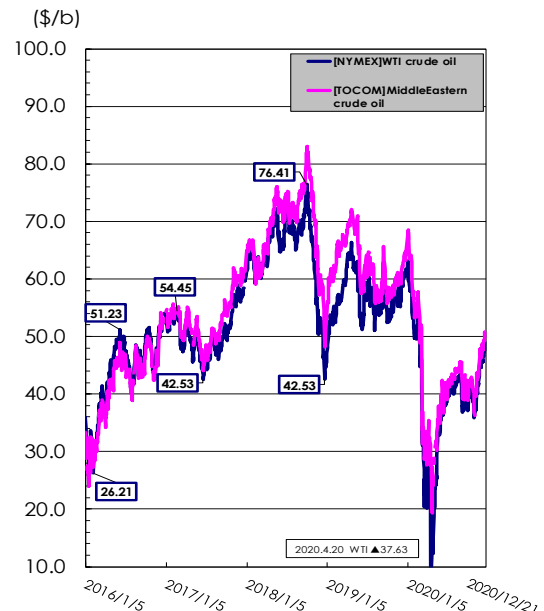
On December 23, the U.S. Energy Information Administration (EIA) announced in its Weekly Report that the U.S. domestic crude oil inventory decreased by 0.6 million bbl from the previous week, decreasing for the second straight week and that gasoline and middle distillates inventory also decreased against the market expectations. Another factor pushing up price was force majeure activation on an accident in crude oil shipment facility in Nigeria. The February contract gained \$1.10bbl to \$48.12/bbl.

The Asian benchmark crude oil of Dubai for February delivery on the Tokyo market ranged between \$48.60/bbl and \$50.60/bbl in the December 10–December 16 week. It closed at \$51.60/bbl on December 17, at \$51.10/bbl on December 18, at \$50.60/bbl on December 21, at \$49.60/bbl on December 22, at \$49.20/bbl on December 23.

On the foreign exchange market in the December 10–December 16 week, the dollar moved within a range of 103.73 yen and 104.28 yen. It changed hands at 103.44 yen in late trading on December 17, at 103.26 yen on December 18, at 103.40 yen on December 21, at 103.34 yen on December 22, at 103.65 yen on December 23.

Japan's average retail price on December 21 gained by 0.7 yen/l from a week earlier for gasoline and gained by 0.6 yen/l for diesel oil and gained by 7 yen/l for kerosene on an 18-liter tank basis. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the fifth straight week. As crude oil cost increased for the third week of December, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the next week.

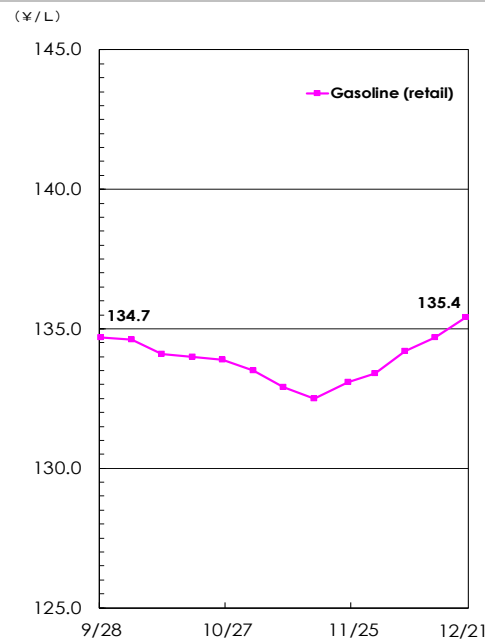
Crude oil			This week	From a week earlier	From a year earlier
Supply/ Demand	Crude oil runs (1,000 kl)	12/13 ~ 12/19	3,115	▲ 35	▼ —
	Topper capacity utilization rate (%)	"	81.0	▲ 1.0	▼ —
	Crude oil inventories (1,000 kl)	12/19	10,741	▼ -164	▼ —
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	12/21	49.98	▲ 0.58	▼ -13.3
	WTI crude oil (NYMEX) (\$/bbl)	12/21	47.74	▲ 0.75	▼ -12.8
	Crude oil import CIF price (\$/bbl)	Late Nov	41.97	▼ -0.18	▼ -22.96
	①Crude oil import CIF price (yen/kl)	"	27,617	▼ -77	▼ -16,811
	②Yen-dollar exchange rate (yen/dollar)	"	104.60	▼ -0.13	▲ 4.18
	TTS exchange rate (yen/dollar)	12/21	104.40	▲ 0.64	▲ 6.02



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/13 ~ 12/19	942	▲ 117	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	797	▼ -35	▼ —	
	Exports	"	121	▲ 105	▲ —	
	Inventories	12/19	2,001	▲ 25	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/15 ~ 12/21	46.6	▲ 0.8	▼ -14.1	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/15 ~ 12/21	43.8	▲ 0.8	▼ -14.6
		(TOCOM/ Chubu)	12/21	46.5	▲ 1.5	▼ -13.5
	Retail prices [weekly trend] (published by ANRE)	12/21	135.4	▲ 0.7	▼ -13.4	

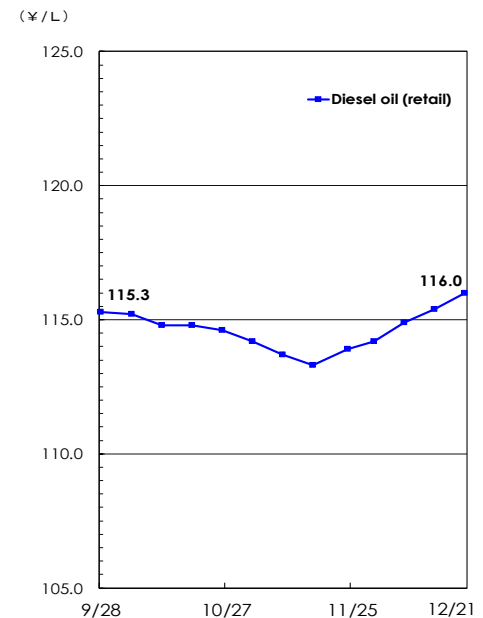
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

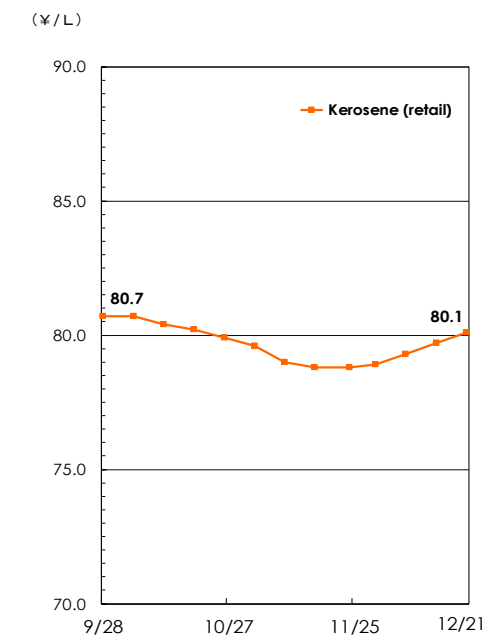
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/13 ~ 12/19	703	▲ 53	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	631	▲ 11	▼ —	
	Exports	"	97	▲ 45	▼ —	
	Inventories	12/19	1,552	▼ -25	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/15 ~ 12/21	49.1	▲ 0.6	▼ -15.0	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/15 ~ 12/21	50.4	▲ 0.7	▼ -15.1
		(TOCOM/ Chubu)	12/21	—	—	—
	Retail prices [weekly trend] (published by ANRE)	12/21	116.0	▲ 0.6	▼ -13.2	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	12/13 ~ 12/19	294	▼ -160	▼ —	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	391	▼ -86	▼ —	
	Exports	"	101	▲ 101	▲ —	
	Inventories	12/19	2,705	▼ -198	▲ —	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	12/15 ~ 12/21	48.6	▲ 1.0	▼ -15.4	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	12/15 ~ 12/21	47.1	▲ 0.9	▼ -15.6
		(TOCOM/ Chubu)	12/21	48.5	▲ 1.0	▼ -15.3
	Retail prices [weekly trend] (published by ANRE)	12/21	80.1	▲ 0.4	▼ -12.5	



Relevant Information

1 Overseas crude oil prices

On December 23, WTI crude oil futures price on NYMEX rebounded for the first time in three trading days. The U.S. EIA announced in its Weekly Report that the U.S. domestic crude oil inventory decreased by 0.6 million bbl from the previous week, decreasing for the second straight week (although less than the market expectation of decrease by 3.2 million bbl.) Gasoline and middle distillates inventory also decreased against the market expectations. Other factors pushing up price were ExxonMobil's declaration of force majeure on crude oil export terminal in Nigeria after an accident and ongoing appreciation of the Euro and depreciation of the U.S. in the foreign exchange market. The February contract gained \$1.10/bbl to \$48.12bbl from the previous day. The March contract gained \$1.08/bbl to \$48.24/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of December 21 increased by 6.6 cents per gallon from a week earlier to \$2.224/gal (61.3yen/l). The average diesel oil price increased by 6.0 cents/gal to \$2.619/gal (72.1yen/l). The gasoline price increased for the fourth straight week. Diesel oil price increased for the seventh straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive toppler capacity in the December 13–December 19 week in 2020 stood at 163,000 barrels per day, down 86,000 bpd from the previous week (total capacity remained at 3,458,000 bpd).

Crude oil throughput in the week-increased by 35,000 kl from the previous week to 3,115,000 kl from the previous week. From a year earlier, it decreased by 404,000 kl. The toppler capacity utilization rate stood at 81.0%, up 1.0 points from the previous week and down 8.9 points from a year earlier.

Production decreased from the previous week for kerosene and increased for other petroleum products. Output was up 14.2% for gasoline, up 44.8% for jet fuel, down 35.3% for kerosene, up 8.1% for diesel oil, up 5.9% for Fuel Oil A and up 13.1% for Fuel Oil C. Fuel Oil C imports in the week totaled 3,000 kl. Diesel oil exports aggregated 97,000 kl, up 45,000 kl from the previous week.

Shipments (excluding imports) in the week decreased from the previous week for gasoline, jet fuel and kerosene and increased for other petroleum products. From a year earlier, shipments expanded for Fuel Oil A and declined for other petroleum products. Gasoline shipments decreased by 4.2% from the previous week to 797,000 kl, decreasing for the second straight week. Shipments totaled 56,000 kl for jet fuel (down 58.4% from the previous week), 391,000 kl for kerosene (down 18.1%), 631,000 kl for diesel oil (up 1.8%), 236,000 kl for Fuel Oil A (up 5.8%) and 150,000 kl for Fuel Oil C (up 45.7%).

(Unit: 1,000 kl)

	This week (12/13 ~ 12/19)	Previous week (12/6 ~ 12/12)	From a week earlier
Gasoline	797	832	▼ -35 (-4%)
Jet fuel	56	134	▼ -78 (-58%)
Kerosene (heating Oil)	391	477	▼ -86 (-18%)
Diesel oil	631	620	▲ 11 (2%)
Fuel oil A	236	223	▲ 13 (6%)
Fuel Oil C	150	103	▲ 47 (46%)
Total	2,261	2,389	▼ -128 (-5%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of December 19 increased from a week earlier for gasoline, jet fuel and Fuel Oil A and decreased for other petroleum products. From a year earlier, inventories shrank for jet fuel and Fuel Oil C and expanded for other petroleum products.

Gasoline inventories totaled 2,001,000 kl, up 25,000 kl from a week earlier and up 394,000 kl from a year earlier.

Kerosene inventories totaled 2,705,000 kl, down 198,000 kl from a week earlier and up 364,000 kl from a year earlier.

Diesel oil inventories totaled 1,552,000 kl, down 25,000 kl from a week earlier and up 113,000 kl from a year earlier.

Fuel Oil A inventories totaled 804,000 kl, up 3,000 kl from a week earlier and up 92,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,919,000 kl, down 50,000 kl from a week earlier and down 18,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (12/19)	Previous week (12/12)	From a week earlier
Gasoline	2,001	1,976	▲ 25 (1%)
Jet fuel	768	717	▲ 51 (7%)
Kerosene (heating Oil)	2,705	2,903	▼ -198 (-7%)
Diesel oil	1,552	1,577	▼ -25 (-2%)
Fuel oil A	804	801	▲ 3 (0%)
Fuel Oil C	1,919	1,969	▼ -50 (-3%)
Total	9,749	9,943	▼ -194 (-2.0%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the December 15–December 21 week, crude oil cost in yen increased from the previous week with the increase in crude oil price, offset by appreciation of the yen to the US dollar.

For the next week, Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, kerosene and diesel oil from the previous week.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

All Spot petroleum products prices in the December 15–December 21 week increased for all oil products in all trading compared to the period of December 8–December 14.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the December 15–December 21 week) increased by 0.8 yen/l from the previous week (December 8–December 14) for gasoline, increased by 1.0 yen/l for kerosene and increased by 0.6 yen/l for diesel oil. For the latest period of December 8–December 14, price increased in a 99–100 yen/l range for gasoline; and increased in a 47–49 yen/l range for kerosene; and decreased slightly after the increase in a 48–49 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay increased by 0.7 yen/l for gasoline, increased by 1.1 yen/l for kerosene and increased by 1.0 yen/l for diesel oil for the December 15–December 21 week from the previous week. Offshore cargo spot prices during the week (December 15–December 21) decreased slightly after the significant increase in a 101–102 yen/l range for gasoline and increased significantly in a 46–48 yen/l range for kerosene and increased in a 50–51 yen/l range for diesel oil from the previous week.

The key average futures price increased by 0.8 yen/l for gasoline, increased by 0.9 yen/l for kerosene and increased by 0.7 yen/l for diesel oil from the previous week. The key futures price during the period of December 15–December 21 leveled off after the fluctuation in a 97 yen/l range for gasoline, increased in a 46–47 yen/l for kerosene and increased in a 50 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (12/15 ~ 12/21)	Previous week (12/8 ~ 12/14)	From a week earlier
Spot Prices	Regular	46.6	45.8	▲ 0.8
	Kerosene	48.6	47.6	▲ 1.0
	Diesel oil	49.1	48.5	▲ 0.6

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)		
		This week (12/15 ~ 12/21)	Previous week (12/8 ~ 12/14)	From a week earlier
Futures Price	Regular	43.8	43.0	▲ 0.8
	Kerosene	47.1	46.2	▲ 0.9
	Diesel oil	50.4	49.7	▲ 0.7

Above prices are before tax.

Reference (December 15 - December 21 actual data)

(Unit: yen/l)			
Products	Spot	Futures	Average
Gasoline	▲ 0.8	▲ 0.8	▲ 0.8
Kerosene	▲ 1.0	▲ 0.9	▲ 1.0
Diesel oil	▲ 0.6	▲ 0.7	▲ 0.7
Fuel Oil A	▲ 0.8		

(Source) Spot: RIM 4-district average lorry rack price
(Chiba, Kawasaki, Chukyo, Hanshin)

Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of December 21 increased by 0.7 yen/l from a week earlier to 135.4 yen/l for gasoline, increased by 0.6 yen/l to 116.0 yen/l for diesel oil and increased by 7 yen to 1,441 yen for kerosene on an 18-liter tank basis (increased by 0.4 yen/l to 80.1 yen/l) from the previous week. The gasoline price increased for the fifth straight week. Diesel oil price increased for the fifth straight week. Kerosene price increased for the fifth straight week.

Gasoline prices increased in 43 prefectures, leveled off in two prefectures and decreased in two prefectures. The lowest gasoline price among the prefectures was 128.8 yen/l in Miyagi (up 0.3 yen/l from a week earlier). The second lowest was 129.3 yen/l in Tokushima (up 1.6 yen/l). The highest price was 144.8 yen/l in Kagoshima (up 1.8 yen/l). Shiga logged the largest price gain of 2.9 yen/l to 133.7 yen/l. The price leveled off in Nagasaki and Kagawa. Akita and Kyoto logged the largest price fall of 0.1 yen/l to 130.6 yen/l and to 139.2 yen/l, respectively.

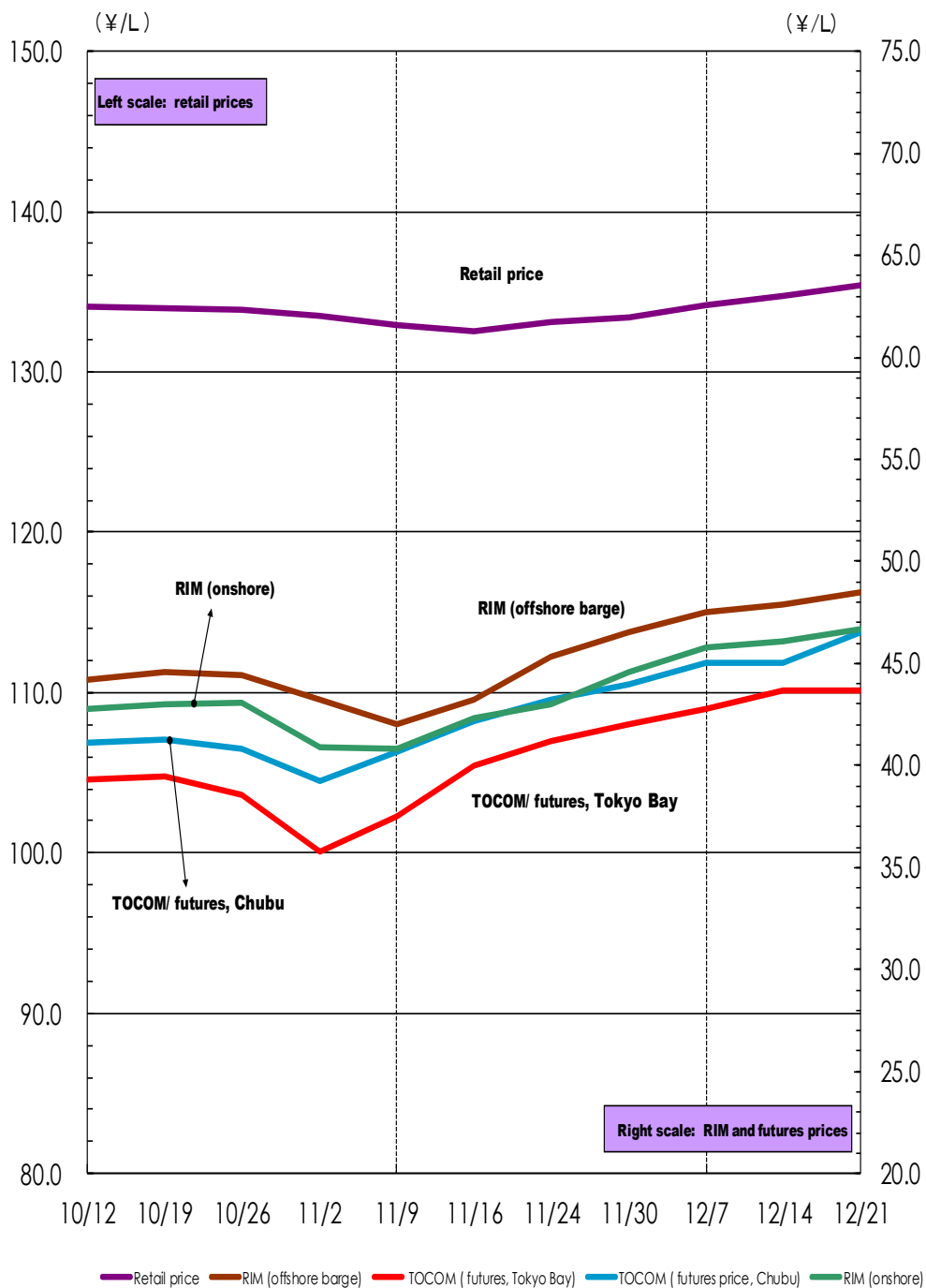
Crude oil cost in yen increased for the period from December 15–December 21 with the increase in crude oil price offset by appreciation of the yen to the US dollar. Motouri companies increased their wholesale prices by 0.5 yen/l for gasoline, diesel oil and kerosene for the period from December 24 to January 6. Retail gasoline price on the next price survey day (January 4) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (12/21)	Previous week (12/14)	From a week earlier	Latest high
Retail Price	Regular	135.4	134.7	▲ 0.7	08/8/4 185.1
	Kerosene	80.1	79.7	▲ 0.4	08/8/11 132.1
	Diesel oil	116.0	115.4	▲ 0.6	08/8/4 167.4

Nationwide average cash retail price
(including consumption tax)
Since April 2007, 2,000 service stations
have been covered.
Latest highs are highest levels since
October 2003.

Gasoline price trend

(2020/10/12 ~ 2020/12/21)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district .

Announcement

This report is available at the center's website (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 26 for 2020) will be announced at 14:00 on January 15.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).